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C O N F I D E N T I A L SECTION 01 OF 02 BUDAPEST 002111

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DEPARTMENT PLEASE PASS TO NSC - DAMON WILSON

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SUBJECT: ORBAN TELLS AMBASSADORS INSTABILITY IS "A RISK I'M  
PREPARED TO TAKE"

REF: BUDAPEST 2065 AND PREVIOUS

Classified By: POL/C ERIC V. GAUDIOSI; REASONS 1.4 (B) AND (D)

¶1. (C) FIDESZ leader Viktor Orban told G-7 Ambassadors October 12 that he believes Prime Minister Gyurcsany "can't survive" in the face of reduced real income stemming from higher inflation, increased popular discontent re austerity measures, and continued opposition from the right. Charging the Gyurcsany government with "criminal negligence" on the economy, he charged that Hungary's economic situation was worse than the government is portraying. He asserted that Budapest's municipal debt had not been reflected in national calculations and that expenses for colleges and prisons would be "worse than expected." He believes the forint remains overvalued, and predicts inflation climbing to 10%.

¶2. (C) The end result, he predicts, is that MSZP will blink first in the present showdown by withdrawing their support from Gyurcsany. Although FIDESZ will likely conclude its large-scale demonstrations following its alternate events on October 23, he believes public discontent will grow over the winter as austerity measures hit home. FIDESZ is already working with groups affected by the "Gyurcsany package" to discuss a "National Strike Committee" to coordinate strikes in the coming weeks. Ultimately, Orban believes that support for the PM will decline to 20% next year, and that he will be out of office "next spring." Indeed, he suggested that "cracks are already appearing" in the governing coalition.

¶3. (C) Orban gave new details regarding his proposal for a "government of experts," suggesting that it would function not as the cabinet but as a separate body reporting to the President. He proposed that the experts be grouped in panels with specific responsibility for reforms in pensions, education, health, state administration, and the constitution. He foresaw "6 to 12 months to agree on the issues" and "6 to 12 months to agree on the financing," and predicted that constitutional reform would be the most sensitive - but the most important - area. When asked why he did not put forward a substantive reform agenda in Parliament, Orban responded that there could be no "business as usual." Such a step would only "give the government our good ideas." Such tactics might work elsewhere, he concluded, but in Hungary "politics is all about winning elections."

¶4. (C) Taking a step back to comment on political development in Hungary since 1990, Orban and an accompanying official from the European Peoples' Party (EPP) commented that Hungary had never completely discredited the old system by disowning its Communist Party. They believe that voting has become increasingly about "the person, not the policy," and that voters who had supported Gyurcsany, he continued, now feel "cheated." The MSZP's image had also changed in that time period, he continued. Although the party had

always "understood power" and the importance of its grass-roots network, its "slick" new leadership has become associated with "money ... and lies." When asked if he himself might not be blamed by the public for promoting instability, he responded "that is risk I'm prepared to take."

15. (SBU) Orban has, however, backed away from his previous insistence that FIDESZ will not participate in any of the official 50th anniversary events, and has now reportedly agreed that the party will attend portions of the program at which President Solyom will speak. At the same time, his public statements indicate that he is setting his sights higher than just Prime Minister Gyurcsany's removal. In an article published October 14, Orban states that FIDESZ's goal is to reduce the MSZP's popularity to its "lowest levels ever."

16. (C) Comment: Orban continues to play his zero-sum game with malicious glee. As he continues efforts to build on FIDESZ's strength at the grass-roots level to pressure the Gyurcsany government (reftel), he is also keeping an eye on the party's internal dynamic. By putting popular Debrecen Mayor Lajos Kosa out in front in representing the interests of FIDESZ-led regions to the GoH with regard to the National Development Plan (reftel), he has given a potential rival a difficult task. Success could further improve advance Kosa's national reputation, but his failure might serve Orban's political interests just as well. As one Corvinus University political scientist explained, Orban is a "political animal" willing and able to capitalize on popular discontent. Right now, the professor explained, austerity measures are highlighting an economic situation that has not matched either the public's expectations or the politicians' campaign promises. Our European colleagues, already dealing with

BUDAPEST 00002111 002 OF 002

"enlargement fatigue" in their own capitals, note in the situation here signs of "accession fatigue" among Hungarians, who expected assistance - not austerity - from the EU. These frustrations have given Orban an audience beyond his traditional base, and he is working to keep their attention and to attract their support. End Comment.

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